

**SENATE BILL**

**No. 8**

**Introduced by Senator Alarcon**

November 25, 2003

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An act to add Sections 11732.7 and 11732.8 to the Insurance Code, relating to insurance rates.

LEGISLATIVE COUNSEL'S DIGEST

SB 8, as introduced, Alarcon. Workers' compensation: rates.

Existing law requires that workers' compensation insurance rates be adequate to cover an insurer's losses and expenses, and provides that they shall not tend to create a monopoly. Existing law also requires that these rates not be unfairly discriminatory.

This bill would require, in addition, that workers' compensation insurance rates not be excessive, as described. It would provide that, in considering whether a rate is excessive, inadequate, or unfairly discriminatory, the commissioner shall consider whether the rate mathematically reflects the insurance company's investment income and shall not consider the degree of competition, except as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 11732.7 is added to the Insurance Code,  
2 to read:  
3 11732.7. Rates shall not be excessive. Rates are excessive if  
4 they are likely to produce a long run profit that is unreasonably

1 high for the insurance provided, or if expenses are unreasonably  
2 high in relation to the services rendered.

3 SEC. 2. Section 11732.8 is added to the Insurance Code, to  
4 read:

5 11732.8. In considering whether a rate is excessive,  
6 inadequate, or unfairly discriminatory, the commissioner shall  
7 consider whether the rate mathematically reflects the insurance  
8 company's investment income and, except as provided in Section  
9 11732, shall not consider the degree of competition.

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